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SUBJECT: SECRETARY LOCKE DISCUSSES JCCT, SED WITH VICE PREMIER WANG

¶1. (SBU) Summary. The Strategic and Economic Dialogue (SED) should focus more on macroeconomics while the Joint Commission on Commerce and Trade (JCCT) should focus on specific issues such as IPR or the Doha round according to Chinese Vice Premier Wang Qishan. Wang praised the handling of the U.S.-China relationship during the transition to the Obama administration. He said China's financial system is still developing and thus had been relatively shielded from the global financial crisis. Secretary Locke said developing alternative energy sources could mean millions of jobs in both the U.S. and China and urged the Chinese government to avoid protectionism in favor of Chinese companies. End Summary.

¶2. (SBU) The agenda items for the Strategic and Economic Dialogue (SED) and the Joint Commission on Commerce and Trade (JCCT) should be as distinct as possible to avoid repetition, Chinese Vice Premier Wang Qishan told Secretary of Commerce Gary Locke June 16. Wang believes the SED should be more strategic in nature, focusing on the effectiveness of the U.S. and Chinese economic stimulus packages, the global economic situation, macroeconomics and fiscal policy. Talks at the JCCT should concentrate on trade and investment, the Doha round, and battling protectionism during the global financial crisis. Despite these two overarching dialogues, Wang noted the U.S. and China have "hundreds" of other mechanisms to facilitate information exchange and cooperation at the Ministerial level. The value of these lower-level exchanges should not be underestimated, he emphasized.

¶3. (SBU) Wang expressed disappointment upon hearing Secretary Locke would be unable to attend the July 27 - 28 SED talks in Washington. He said, as a result, Ministry of Commerce Minister Chen Deming may not come to the talks. Secretary Locke explained USTR Ambassador Ron Kirk would attend and would serve as Chen's counterpart.

¶4. (SBU) Wang praised the handling of U.S. - China relations during the transition to the Obama administration. Historically, at the beginning of every new Presidency, diplomatic relations between the two countries undergo some "twists and turns" and can become strained. Wang said there had been no such issues during this transition.

¶5. (SBU) The global financial crisis had little impact on China's financial system, Wang continued. This is not something to be proud of, he said, because it shows China's financial services and products are not sufficiently developed. The crisis had a huge impact on the U.S. financial system because the U.S. had gone "too fast" with regards to financial innovation. China has gone "too slow." Nonetheless, China is committed to innovation in the financial sector, Wang stated.

¶6. (SBU) Wang asked Secretary Locke what specific mandate the Department of Commerce had to get involved with issues such as climate change, energy and the environment. Secretary Locke explained the Department's underlying focus is on innovation and scientific knowledge. With regards to energy and climate change,

the Secretary said all nations need to promote renewable and alternative energy now to avoid costs to the environment in the future. Developing new sources of energy could mean millions of jobs in both the U.S. and China.

¶7. (SBU) Secretary Locke urged Minister Wang to avoid protectionism in favor of local Chinese companies. Foreign companies manufacturing products in China provide thousands of local jobs. Additionally, Secretary Locke said delaying deployment of advanced technologies to favor Chinese companies only impedes efforts to stop climate change.

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